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**TO:** Participating Schools and Lenders

**FROM:** Diane Todd Sprague, Director

**DATE:** May 17, 2006

**SUBJECT:** Educational Loan Notes

### FEATURED FINANCIAL AID PROFESSIONAL

Jill Nutt was always interested in business and accounting and chose that as her field of study when she decided to attend Muskegon Business College (MBC). Gordon Macdonald, the previous Financial Aid Director at MBC (now Baker College), was her long-time neighbor. When Gordon became aware of Jill's decision to attend MBC, he asked if she wanted to be a work-study student in the financial aid office. Jill accepted that opportunity and has remained in financial aid since that time. Gordon is really the person that led her down this career path. Our thanks to him for that influence, which has allowed us to feature Jill as our Financial Aid Professional of the Quarter.

Jill finds many aspects of her job as Executive Director of Student Financial Services at Grand Rapids Community College (GRCC) rewarding. On graduation day, she has the opportunity to be a part of the staff who help to line up students for the procession. They are so happy, proud, nervous, and excited. It's such a great day and she loves sharing that with them. "And then there are the times when they actually come back and thank you or tell you how they couldn't have completed their education without your help!" she reflects.

Jill also enjoys the satisfaction of finishing a big stack of verification files or making a large batch of award letters print properly. "I think our profession is so unique with its mix of student service and technical functions. When you get bored or frustrated with one area, you can always turn to the other for a while," states Jill. She very much enjoys her work, but jokes that given a chance to re-choose her vocation, she would definitely pursue a career that doesn't have its busiest and most stressful time in the summer!

Reflecting on work processes and regulatory requirements involved with the student loan program, Jill can think of numerous challenges. The Return of Title IV Funds is by far the most disliked. Jill notes, "While I'm not in favor of giving aid to students who don't complete their classes, there are so many reasons why students are unable to finish, and these rules provide very little wiggle room."

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Because GRCC welcomes and admits all students who desire to attend, their educational preparedness is at every level imaginable. Some are very prepared and don't miss a beat. Others are not even close to being ready to attend college. Jill says it's definitely challenging for faculty and staff.

By far, Jill feels the biggest challenges have come in recent years in trying to keep on top of the technology that has completely changed the way they work. Implementing new student information systems, providing Web services to students, COD, FAFSA on the Web, etc. have been demanding. So much has changed and it's a constant challenge to try to stay ahead.

To stay current with technology and regulations, Jill attends training courses and industry conferences. The Michigan Student Financial Aid Association (MSFAA) Summer Training, more than any other work-related function she attends, is her favorite. Jill appreciates that family is not only invited, but welcomed to participate in all the activities, and thinks it is wonderful that so many families attend. Jill's husband, Gary, and her two sons, Isaiah and Adam, also enjoy the opportunity. Jill and Gary have been married for fourteen years.

Of all the professional influences Jill has experienced in her career, her former director and mentor, Earl Mandeville, gave her the best advice shortly before he retired. "Hire good people and you'll do great work!" She believes that the staff she works with at GRCC has proven his statement to be true. They survey their students twice a year and ask several questions relating to customer service. Jill also pays close attention to the number and types of complaints they receive. However, mostly she relies on her staff. Jill believes that her staff knows better than anyone how things are going because they are so passionate about their work. They want to help students in every way they can and want to be sure they are successful.

There are many things that GRCC does that Jill considers special. "One of my favorites is what we call the 'Finals Relaxer.' It's usually about one week before the winter semester exams begin. We basically have a big party with lots of food and music and fun stuff for students. It's an opportunity for them to relax and enjoy the day before the exams begin. It's a tradition for the President, VPs and Board members to participate,

usually grilling hot dogs or scooping ice cream. Students really enjoy it."

Back in the office, financial aid staff worked hard last year getting their entire loan application process automated. They worked closely with Citibank to create an online Master Promissory Note (MPN) and Loan Request Form and also received assistance from Nelnet to automate the receipt process. Students were very happy with the changes and had very few problems with the online processes. They receive and download the "apps" daily. Students are packaged, and eventually funds are received via EFT. Jill is continually amazed with how far the loan processes have come since she began working in financial aid in 1986. "Those were the days," Jill says, "when every little change required a new paper application and delays, delays, delays!"

If you've had the opportunity to be around Jill at a MSFAA conference, or have been fortunate enough to be one of the "good people" who have worked for her, you no doubt were impressed with her genuine good nature and glowing personality. The Michigan Guaranty Agency (MGA) salutes Jill Nutt for her contribution to the financial aid community and the students she serves.

### LOAN PROCESSING OPTION

Schools now have the option to suspend the loan process prior to a loan guaranteeing for an amount that is less than the school-certified amount. The suspend status will allow schools time to resolve any issues causing the loan to guarantee for less than the school-certified amount. If a school chooses not to subscribe to this new suspend option, the application processing system will automatically continue to guarantee loan requests for the lesser amount of the following fields:

- Requested loan amount
- School-certified amount
- Lender-approved amount
- Endorser amount (in the case of PLUS loans)

To request the suspend option for loans that will guarantee for less than the amount that the school certified, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at [cardwells@michigan.gov](mailto:cardwells@michigan.gov).

### **ED PUBLISHES GUIDANCE / RELEASES UPDATED FORMS**

The U.S. Department of Education (ED) has published *Dear Colleague Letter* (DCL) FP-06-05, which provides promissory note addenda and revised Plain Language Disclosure (PLD) for Federal Family Education Loan Program (FFELP) loans. It also provides guidance on the changes to the terms and conditions of FFELP loans that were made by the Higher Education Reconciliation Act of 2005 (HERA). Until revised Stafford and PLUS Master Promissory Notes (MPNs) and the Consolidation Application are developed and approved for use, the addenda must be used to inform borrowers of the changes made to the terms of their loans by HERA. The following forms may be accessed on MGA's Web site at [mgaloan.com](http://mgaloan.com) on both the Financial Aid Professionals [Forms and Documents](#) page and the Lenders, Servicers, Partners [Forms and Documents](#) page. Those links are located directly below the What's New box.

- Federal PLUS Loan Master Promissory Note (expires March 31, 2008)
- Addendum to the Federal PLUS Loan and Endorser Addendum
- Federal PLUS Loan Plain Language Disclosure
- Federal Stafford Loan Master Promissory Note (expires February 29, 2008)
- Addendum to the Federal Stafford Loan Master Promissory Note
- Federal Stafford Loan Plain Language Disclosure
- Federal Consolidation Loan Application and Promissory Note (expires October 31, 2006)
- Addendum to the Federal Consolidation Loan Application and Promissory Note

The DCL also provides guidance on awarding Federal PLUS loans to graduate and professional students. It provides the terms and conditions that are applicable to both parent and student PLUS borrowers as well as terms and conditions that only apply to graduate and professional student PLUS borrowers. All graduate or professional student applicants for a Federal PLUS loan must complete the Free Application for Federal Student Aid (FAFSA) and must apply for (and the school must determine the student's eligibility for) the maximum annual subsidized and/or unsubsidized Federal Stafford loan amount. However, the student does not have to accept or receive the Federal Stafford loan funds as a condition for

receiving a Federal PLUS loan, and a school may not require it. Schools may not certify Federal PLUS loans for graduate or professional students until on or after July 1, 2006. However, the graduate or professional student may sign the application and the school may include an estimated PLUS amount in their award packages prior to the July 1 date.

DCL FP-06-06 was posted on May 8, 2006, announcing the approval of revised FFELP loan deferment forms. The forms approved by the U.S. Office of Management and Budget (OMB) are available for immediate use. Beginning September 25, 2006, only these approved loan deferment forms may be provided to eligible borrowers. However, the previous versions of the forms may continue to be processed after that date. The following forms may be accessed on MGA's Web site at [mgaloan.com](http://mgaloan.com) on both the Financial Aid Professionals [Forms and Documents](#) page and the Lenders, Servicers, Partners [Forms and Documents](#) page. Those links are located directly below the What's New box.

- Economic Hardship Deferment Form
- Education Related Deferment Request Form
- In-School Deferment Form
- Parental Leave/Working Mother Deferment Request Form
- PLUS Borrower with Dependent Student Deferment Request Form
- Public Service Deferment Request Form
- Temporary Total Disability Deferment Request Form
- Unemployment Deferment Form

### **MGA "INFO TEAMS"**

MGA would like to remind schools that we offer the "Info Team" concept. Under this initiative, staff from MGA will visit your school at a time convenient to you in order to conduct "mini-workshops" on your choice of a variety of topics. An Info Team can be an effective alternative to our traditional workshops. You may have experienced staff turnover, or perhaps you could not send as many staff as you would have liked to a workshop. Whatever the reason, an MGA Info Team will bring the training to your campus free of charge.

*(Continued on the next page.)*

**How it works:**

You define the areas where specific information or training is needed. You then meet with an MGA School Services representative to select a tentative date and determine the agenda for your workshop. The representative will assemble your Info Team from agency staff, selecting the most qualified presenters based on the topics you choose. Your training date will be confirmed based upon the availability of all Info Team members. The Info Team will prepare training sessions and materials, then present your customized workshop! We introduced this concept to schools in May 2000. Since that time, we have conducted many workshops using the Info Team approach. Topics covered have included:

- Cash Management
- Claims and Collections Procedures
- Consumer Information
- Debt Management
- Family Educational Rights and Privacy Act (FERPA)
- Online Entrance and Exit Counseling
- Rehabilitating Borrowers' Defaulted Student Loans
- Return of Title IV Funds
- Information Security
- Academic Year Requirements for Loan Eligibility
- Resolving Conflicting Information Related to Tax Returns
- Student Aid Report (SAR) / Institutional Student Information Record (ISIR) Comment Codes and Text

All of the schools visited by an MGA Info Team have reported that the workshops were a great experience for their staff. Not only did they value the personalized information, they also appreciated the thoroughness of the content and the amount of time dedicated to answering questions. We are extremely pleased with the success of this initiative and encourage you to take advantage of this service. For more information or to schedule an appointment, please contact the School Services Unit at extension 36074, or via e-mail at [cardwells@michigan.gov](mailto:cardwells@michigan.gov).

**COLLEGE ACCESS INITIATIVE**

On February 8, 2006, the Deficit Reduction Act of 2005 was signed into law. The College Access Initiative is a provision within the act which requires guaranty agencies to provide the Secretary of Education with information necessary for the development of Internet Web links and access for students and families to a comprehensive listing of postsecondary education opportunities, programs, publications, Internet Web sites, and other services related to college planning, preparation, and paying for college.

Since late February, MGA's Outreach Services (formally Training and Development) along with the other 34 guaranty agencies has been working collaboratively with the National Council of Higher Education Loan Programs (NCHelp) to develop a set of materials and Web content and links that increase postsecondary education opportunities and awareness. Through this collaboration, guaranty agencies will:

1. Have a comprehensive list of outreach and early awareness resources.
2. Be able to link outreach efforts with early commitment financial aid programs that include three core criteria: make a guarantee of financial aid; designate aid to economically disadvantaged students only; and identify students in elementary, middle, and early high school.
3. Develop best practices for creating early intervention and awareness programs.
4. Develop best practices for reaching out to special populations including low-income students, minority students, first-generation college students, and students living in rural areas.

By November 5, 2006, guaranty agencies will need to be in compliance with the mandates of this initiative. Currently, Outreach Services is working on updating the Prospective Students module of the Web site, [mgaloan.com](http://mgaloan.com). In addition, we are diligently working on revising the "Paying for College in Michigan" publication, formally "The 5W's of Financial Aid." If you have any questions, comments, or suggestions, please contact Stephanie Bogard at extension 12101 or via email at [bogards1@michigan.gov](mailto:bogards1@michigan.gov).

### NSLDS UPDATE

#### **Federal PLUS Loans for Graduate or Professional Students**

The National Student Loan Data System (NSLDS) has designated “GB” as the new code for Type of Loan (Field Code 024), in accordance with the new eligibility requirements under PLUS for graduate student borrowers. NSLDS will begin accepting the new loan type on July 1, 2006, for all eligible loans certified by a school on or after July 1, 2006.

NSLDS is aware that many data providers will not be ready to report this new loan type by July 1, 2006. While guaranty agencies are enhancing their systems to report “GB,” NSLDS will accept the “PL” loan type with matching student and PLUS borrower identifiers (name, Social Security Number, and date of birth) and a reported academic level of A or above. Loans reported in this manner will be stored and displayed on NSLDS as a “GB” loan type. Effective May 2007, data providers will be required to report the “GB” code.

The current NSLDS Data Provider software will support the new loan type. However, changes to the threshold error file (TEF) are necessary. NSLDS will provide an updated TEF with the next scheduled release.

#### **Active Duty Military Deferment Code**

NSLDS has designated “MO” for Type of Deferment (Field Code 346) on loans meeting the eligibility requirements for Active Duty Military Deferment as provided for under HERA. NSLDS will be prepared to accept the “MO” code on July 1, 2006, for all eligible loans disbursed on or after July 1, 2001.

#### **Edit Change for “AL” Loan Status Code**

On April 24, 2006, NSLDS implemented an edit change to the abandon loan status “AL.” NSLDS has relaxed the edit to allow a guaranty agency choosing to use the abandon loan status on loans that have not entered repayment to do so without causing an error. The loan status will require the Date of Loan

Status to be on or after the Date of Guaranty. Previously, the “AL” loan status had to have a Date of Loan Status on or after the Date Entered Repayment.

If you have any questions regarding these changes to the NSLDS system please contact the NSLDS Customer Service Center at 1-800-999-8219 or via email at [NSLDS@pearson.com](mailto:NSLDS@pearson.com).

### FSA ANNOUNCES INFORMATION RESOURCES FOR BLIND AND VISUALLY IMPAIRED STUDENTS

The Office of Federal Student Aid (FSA) has announced the availability of a variety of information resources for blind and visually impaired students considering enrollment or currently enrolled in education beyond high school. The *Student Audio Guide* is a 60-minute overview of the U.S. Department of Education’s (ED) federal student aid programs and the federal student aid life cycle including:

- Eligibility criteria
- Application procedures
- Notification of results
- Loan repayment options
- Deferment and cancellation provision
- Information on nonfederal sources of aid

The *Student Audio Guide* is available online at [www.studentaid.ed.gov/audioguide](http://www.studentaid.ed.gov/audioguide) and on compact disc by calling 1-800-4-FED-AID. FSA has the following print publications available online through the use of a screen reader and in Braille through the FSA Information Center:

- *FAFSA and FAFSA on the Web Worksheet*
- *Funding Education Beyond High School: The Guide to Federal Student Aid*
- *Repaying Your Student Loans*
- *Braille Bookmark*

Questions regarding these resources should be directed to the FSA Information Center at 1-800-433-3242.



### **SPECIAL ALLOWANCE RATES AND REPORTING INFORMATION**

FSA has released the new special allowance rates. The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending March 31, 2006, is **4.49** percent. Also, the average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending March 31, 2006, is **4.75** percent.

Attached to this issue of *Educational Loan Notes* are special allowance charts with rates based on the 91-day Treasury bill average and the three-month commercial paper average for the quarter ending March 31, 2006.

ED recently emailed a letter to lenders informing them that billing and payment for the Lender's Interest and Special Allowance Request and Report (LaRS) for the quarter ending March 31, 2006, will be processed as usual. However, payment for PLUS loans affected by statutory changes will be **omitted** due to pending final guidance. Once approved, the guidance will give instructions on resubmitting and processing these loans. A copy of this letter is attached.

If you have any questions, please contact Betty Calloway at extension 39639 or via email at [callowayb@michigan.gov](mailto:callowayb@michigan.gov).

### **NSLDS REPORTING REMINDER**

Federal law requires lenders and lender servicers to report all status changes to their guarantors throughout the life of a loan. MGA encourages its lenders to report status changes on a monthly basis. It is crucial that loan information is updated and reported in a timely manner so MGA loan data will match the information on the lender's system. This will ensure that the information sent to the NSLDS is accurate.

Status changes to report include, but are not limited to:

- Enrollment status changes.
- Cancellation of all or a portion of the loan.
- Loan sales or transfers.
- Disbursement date changes.
- Date loans enter repayment.
- Loans that have been paid-in-full or consolidated.

Forms currently used by lenders to report changes are:

- Loan Maintenance form
- Loan Change form
- Disbursement Change form
- Borrower/Student Personal Information form
- Sub\Unsub Reallocation form

If you need to order forms please visit our Web site at [mgaloan.com](http://mgaloan.com). Choose Lenders, Servicers, Partners" on the left hand navigation bar, then choose "Lender Resources" and "Request for Supplies and Publications." If you require assistance with reporting to the NSLDS or have other questions or concerns regarding NSLDS reporting, please contact Helen Kitchenmaster at extension 60633 or via email at [kitchenmasterh@michigan.gov](mailto:kitchenmasterh@michigan.gov).

### **COMMON MANUAL UPDATE DELAYED UNTIL OCTOBER**

The *Common Manual* Governing Board has announced that it will defer publication of the manual's 2006-07 update until October 2006. The delay will help to ensure that the manual includes the latest information related to changes stemming from the Higher Education Reconciliation Act of 2005. The [Integrated Common Manual](#) available on the NCHelp [Web site](#) will continue to be updated as changes are approved.

**THE “ED” PIPELINE**

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

**Dear Partner****April 2006****[ANN-06-04](#)**

This letter announces FSA's release of a new online, self-paced learning session for the Return of Title IV Funds (R2T4) on the Web software. This session covers all aspects of using the R2T4 on the Web software including setup, reporting, and calculating refunds for all institutional program types.

**Dear Partner****April 2006****[GEN-06-05](#)**

This letter contains information on changes made by HERA to certain provisions of Title IV of the Higher Education Act of 1965, as amended.

**Dear Partner****May 2006****[GEN-06-06](#)**

This letter provides the list of academic majors eligible for the National SMART Grants for the 2006-07 award year.

**Dear Partner****May 2006****[GEN-06-07](#)**

This letter contains a summary and extension of prior guidance related to Hurricanes Katrina and Rita, and the announcement of additional waivers provided under the authority granted to the Secretary of Education.

**Dear Partner****May 2006****[GEN-06-08](#)**

This letter announces the Secretary's letter to states on the implementation of the Academic Competitive Grant and National SMART Grant Programs.

**UPDATED LENDER LIST  
SENT TO SCHOOLS**

The new “Participating Lender List” dated May 12, 2006, was mailed to schools earlier this week. You may obtain additional copies of MGA’s lender list by contacting our mail room at extension 60607. If you are using the electronic version of MGA’s lender list available at [mgaloan.com](http://mgaloan.com) and no longer wish to receive a paper copy of the list, please contact Pat Fromm at extension 36076.

**SCHOOL LIST UPDATES**

The following changes should be recorded by lenders on MGA’s “Active Michigan School List” dated January 3, 2006. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

**Contact Information Update****Baker College, Jackson, 004673-09**

The new contact is Valerie Cardinal, Financial Aid Director. Valerie’s telephone number is 517-780-4521. Her fax number is 517-789-7331. Valerie’s email address is [valerie.cardinal@baker.edu](mailto:valerie.cardinal@baker.edu).

**Delta College, University Center, 002251-00**

Carol Wotta’s email address has changed to [cmwotta@delta.edu](mailto:cmwotta@delta.edu).

**Northern Michigan University, Marquette, 002301-00**

The new contact is Scott Thum, Assistant Director of Financial Aid. Scott’s telephone number is 903-227-1563, and his fax number is 906-227-2321. Scott’s email address is [sthum@nmu.edu](mailto:sthum@nmu.edu).

**Name Change****Reformed Bible College, Grand Rapids, 002311-00**

Reformed Bible College’s name has changed to Kuyper College.

**“Q” AND “A”****Borrower Eligibility – Eligible Citizens and Eligible Noncitizens****What citizenship criteria must a borrower meet before being eligible for a Federal Stafford or PLUS loan?**

To qualify for any Federal Stafford or PLUS loan, each student, parent, and student for whom a PLUS loan is being sought must be a U.S. citizen or national, or an eligible noncitizen.

**What is the difference between a U.S. citizen, national, or an eligible noncitizen?**

The term "U.S. citizen" includes citizens of any of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. All U.S. citizens are considered U.S. nationals. However, not all nationals are U.S. citizens. For example, natives of American Samoa and Swain's Island are not U.S. citizens, but are nationals and are therefore eligible.

Eligible noncitizens are permanent residents who are legally permitted to live and work in the U.S. permanently. Noncitizens include refugees, persons granted asylum by the U.S., conditional entrants (discontinued after March 31, 1980), parolees, and Cuban-Haitian entrants.

Please note that as of January 2005, all paperwork for eligible noncitizens will contain a stamp which uses red and blue security ink (the date of admission will be in red and the rest of the stamp will be in blue).

Noneligible noncitizens include temporary residents (those who work and live under the Legalization or Special Agricultural Worker program) and residents with nonimmigrant visas (i.e., those with work visas, students, visitors, and foreign government officials).

**How will citizenship eligibility be determined?**

To verify the eligibility status of all Title IV applicants, ED cross references Social Security Numbers and A-Numbers (A-Numbers are assigned to all legal immigrants) taken from the FAFSA with their respective agencies.

If the match confirms the student's citizenship eligibility, the student may receive loan funds. If ED is unable to confirm the applicant's citizenship, ED will commence with an automated secondary confirmation through other federal agencies.

If the applicant's citizenship eligibility cannot be confirmed with any federal agencies, the school must use a paper secondary confirmation. The student will be required to provide documentation to the financial aid office showing that he or she is an eligible applicant.

**How long does it take the Central Processing System (CPS) to determine a borrower's citizenship eligibility?**

If CPS cannot immediately match a student, the Department of Homeland Security (DHS) will automatically begin checking whether it has documentation that determines the student's citizenship or residency status. CPS will give DHS up to three days to complete its investigation. A school should wait at least five days but no more than 15 business days for the result of an automated confirmation from CPS.

*(Continued on the next page.)*



**What types of documentation are required to complete the paper secondary confirmation?**

Documents that confirm citizenship eligibility vary greatly depending on the type of noncitizen that is applying for federal aid. Financial aid professionals must always examine and copy original documents which must be kept in the student's financial aid file.

For a complete list see the *Federal Student Aid Handbook*, Volume I Chapter 2, Citizenship, pages 1-17 through 1-40.

**Because parents are not required to complete the FAFSA what types of data matches are performed to verify their citizenship eligibility?**

Parents who are seeking PLUS loans certify that they are citizens, nationals, permanent residents, or other eligible non-citizens on the Federal PLUS Loan Application and Master Promissory Note. In determining the parent borrower's eligibility for a loan, the lender may rely in good faith on the information provided by the borrower unless it has reason to believe that the information may be false.

If a school has any information or believes that a parent borrower does not meet the citizenship requirements for a Federal PLUS loan, the school must not disburse any funds until the borrower's eligibility has been confirmed.

Have a question you would like to ask? Contact Justin Draeger at extension 31940 or via email at [draegerj@michigan.gov](mailto:draegerj@michigan.gov) to submit your question or to suggest a topic you would like to see discussed in a subsequent issue of *Educational Loan Notes*.

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## Calendar of Upcoming Events

### May

- 23 Spring School Workshop  
Grand Rapids Community College  
M-TEC Center  
Grand Rapids, Michigan
- 24 Spring School Workshop  
Eastern Michigan University  
Ypsilanti, Michigan
- 29 MGA Offices Closed

### July

- 4 MGA Offices Closed
- 5-8 2006 NASFAA Conference  
Washington State Convention & Trade Center  
Seattle, Washington

### June

- 25-28 MSFAA Summer Training  
Boyne Mountain Resort  
Boyne Falls, Michigan

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944 or via email at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).

**91-DAY TREASURY BILL  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING MARCH 31, 2006**

	Loan Rate	Special Allowance Annual Rate	Special A Quarterly Rate	Special Allowance Category
<b>SA</b>	7% 9%	.010 0	.002500 0	<u>SA</u> - for loans made before 10/01/81.
<b>SB</b>	7% 8% 9%	.0099 0 0	.002475	<u>SB</u> - for Stafford (subsidized) and PLUS loans made on/after 10/01/81 but before 10/17/86 or loans made on/after 10/17/86 but before 11/16/86, for enrollment periods beginning before 11/16/86.
<b>SD</b>	6.10%(*) 6.25%(**) 7% 8% 9% FVAR10 (6.25%) PLUS/SLS Var (5.41%) FVAR7, FVAR8, FVAR9, FVARX, EVAR (6.10%)	.0164 .0149 .0074 0 0 .0093 0 0 0 .0108	.004100 .003725 .001850 0 0 .002325 0 0 0 .00270	<u>SD</u> - for Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86 but prior to 11/16/86 for enrollment periods beginning on/after 11/16/86. For Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86 but before 10/01/92. Also, for Stafford (unsubsidized) loans made prior to 10/01/92 for periods of enrollment beginning on/after 10/01/92. * Fixed-rate 7% Stafford Loans, fixed-rate 8% Stafford loans and 8/10 Stafford loans (prior to 49 <sup>th</sup> month of repayment), fixed-rate 9% Stafford loans and 8/10% Stafford loans (on/after 49 <sup>th</sup> month of repayment (1992 amendments). ** Fixed-rate 8/10 Stafford loans (on/after 49 <sup>th</sup> month of repayment (1992 amendments).
<b>SE</b>	FVAR7 (6.10%) FVAR8 (6.10%) FVAR9 (6.10%) FVAR10 (6.10%) EVAR (6.10%) 7% PLUS/SLS Var (5.26%)	.0149 .0149 .0149 .0149 .0149 .0149	.003725 .003725 .003725 .003725 .003725 .003725	<u>SE</u> - for Stafford loans made on/after 10/01/92 but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94 for an enrollment period ending prior to 07/01/94. Also, for PLUS loans made on/after 10/01/92 but before 07/01/94. Also, for SLS loans made on/after 10/01/92 but before 07/01/94; or <b>certified</b> before 07/01/94 and <b>disbursed</b> after 07/01/94. Fixed-rate 7% Stafford loans (1992 Amendments).
<b>SG</b>	Stafford Var (6.10%)  PLUS Var (6.50%)	.0093  .0053	.002325  .002325	<u>SG</u> - for Stafford loans made on/after 07/01/94 but before 07/01/95, or loans made on/after 07/01/95 but before 07/01/98, during periods of repayment or forbearance. Also, for PLUS loans made on/after 07/01/94 but before 07/01/98.
<b>SH</b>	Stafford Var (5.50%)  PLUS Var (5.26%)	.0149  0	.003725  0	<u>SH</u> - for Stafford loans made on/after 07/01/95 but before 07/01/98 <b>only</b> during the in-school, grace, and deferment periods. Also, for PLUS loans made on/after 07/01/98 but prior to 01/01/00.
<b>SJ</b>	Stafford Var (4.70%) Stafford Var (5.30)*	.0199	.004975	<u>SJ</u> - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <b>only</b> during the in-school, grace, and deferment periods. *All other periods.
<b>SK</b>	Stafford Var (5.30%)	.0199	.004975	<u>SK</u> - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <b>only</b> during the repayment and forbearance periods.

**PLEASE NOTE:** The 91-day T-bill average (bond equivalent rate) is **4.49%** for the **first quarter** of **2006**. This results in the following yields:

<b>SA</b> 4.49% plus 3.50% = 7.99%	<b>SG</b> 4.49% plus 3.10% = 7.59%
<b>SB</b> 4.49% plus 3.50% = 7.99%	<b>SH</b> 4.49% plus 2.50% = 6.99%
<b>SD</b> 4.49% plus 3.25% = 7.74%	<b>SJ</b> 4.49% plus 2.20% = 6.69%
<b>SE</b> 4.49% plus 3.10% = 7.59%	<b>SK</b> 4.49% plus 2.80% = 7.29%

**91-DAY COMMERCIAL PAPER  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING DECEMBER 31, 2005**

	<b>Loan Rate</b>	<b>Special Allowance Annual Rate</b>	<b>SA Quarterly Rate</b>	<b>Part IV: Special Allowance Category Column C</b>
<b>CA</b>	Stafford Var 4.70%)	.0179	.004475	<u>CA</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, <b>only</b> during the in-school, grace, and deferment periods.
<b>CB</b>	Stafford Var (5.30%)	.0179	.004475	<u>CB</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, during the repayment and forbearance periods <b>only</b> .
<b>CD</b>	PLUS Var (4.75%)	0	0	<u>CD</u> - for PLUS loans made on/after 01/01/00 but prior to 07/01/06. <b>Note:</b> special allowance will not be paid unless the calculated interest rate exceeds the 9% cap.

**PLEASE NOTE:** The three-month Commercial Paper average (bond equivalent rate) is **4.75%** for the **first quarter** of **2006**. This results in the following yields:

<b>CA</b> 4.75% plus 1.74% = 6.49%
<b>CB</b> 4.75% plus 2.34% = 7.09%
<b>CD</b> 4.75% plus 2.64% = 7.39%



April 19, 2006

Dear Lenders,

The Department of Education is finalizing guidance for the billing and payment of special allowance on PLUS Loans made on or after January 1, 2000 and prior to July 1, 2006. Pending the finalization of this guidance and to avoid undue delay in the processing of your Lender's Interest and Special Allowance Request and Report (LaRS) billings, Federal Student Aid will process billings for the quarter ending March 31, 2006 under all regular applicable conditions and requirements with the following exception:

- PLUS loans made on or after January 1<sup>st</sup> 2000 will not be processed for payment of special allowance until such time as guidance regarding the proper billing and payment of special allowance for these loans is finalized by the Department. Once this guidance is finalized, we will provide resubmission and processing information with respect to these loans.

For lenders who have already submitted their 1<sup>st</sup> Quarter billing, your submitted billings will be processed beginning today, April 19, 2006 and payments made within the normal payment cycle once processing is completed. For lenders who have not yet submitted their 1<sup>st</sup> Quarter billing, your billings will be processed once submitted.

Should you have any questions regarding this process please contact Angela Baker at 202-377-3322.

Sincerely,

A handwritten signature in black ink, appearing to read "Matteo Fontana", is positioned below the word "Sincerely,".

Matteo Fontana  
General Manager, Financial Partner Services  
Federal Student Aid

830 First St. N.E., Washington, DC 20202  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)  
1-800-4-FED-AID

FEDERAL STUDENT AID  START HERE. GO FURTHER.